



## U.S. Department of Justice

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For Immediate Release

March 27, 2008

### **TWO CHARGED IN MORTGAGE FRAUD SCHEME**

PHILADELPHIA – United States Attorney Pat Meehan today announced the filing of an Indictment<sup>1</sup> charging David Paul, a real estate investor, and Diane Flannery, a mortgage broker and loan officer for Source Mortgage Company, with mail fraud in connection with a mortgage fraud scheme centered in Reading, Pennsylvania, between April 2002 and July 2003.

Some of Paul's buyers were unable to qualify for affordable mortgage loans to finance the purchase of their houses. According to the Indictment, Paul steered them into Federal Housing Administration insured loans and then falsified documents associated with those loans. The fraudulent documents were meant to make it appear that the buyers had sufficient cash to pay for costs at closing when they did not. It is further alleged that Paul supplied that cash – in violation of FHA rules – and then hid his actions by creating documents stating that the buyers' relatives gave the cash to the buyers as gifts. Flannery was a mortgage broker who allegedly knew about these fraudulent transactions and processed those transactions for Paul. Several of the fraudulent loans went into foreclosure, forcing the home buyers out of their houses and causing estimated losses to the government of \$200,000.

“According to the indictment, these defendants took advantage of a system devised to help people obtain the American dream of home ownership,” said Meehan. “But when people can't afford their monthly payments, loans go into foreclosure, families lose their houses, neighborhoods start to crumble, and we all pay the price. This type of scheme, as we have been witnessing in news reports for the past year, has critical impact on the health of our economic system.”

#### INFORMATION REGARDING THE DEFENDANTS

NAME	ADDRESS	AGE
David Paul	Reading, PA	50 years old
Diane Flannery	Reading, PA	47 years old

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<sup>1</sup> An indictment or information is an accusation. A defendant is presumed innocent unless and until proven guilty.

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If convicted, defendant Paul faces a maximum sentence of 40 years imprisonment, 3 years of supervised release, and a \$500,000 fine; defendant Flannery a maximum sentence of 20 years imprisonment, 3 years of supervised release, and a \$250,000 fine.

The case was investigated by the U.S. Department of Housing and Urban Development, Office of Inspector General and the Federal Bureau of Investigation. It is being prosecuted by Assistant United States Attorney Michael S. Blume.

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